

**MID-ATLANTIC REGIONAL COUNCIL
FOR SMALL BUSINESS TRAINING AND ADVOCACY
Minutes of Meeting, Atlantic City, NJ – January 18, 2006**

Introductions

Christine Haber, newly elected MARC Chairperson, welcomed attendees, asked them to introduce themselves, and opened the meeting at 8:30 a.m.

Attendees: There were 60 attendees (including speakers) at the two-day meeting.

Committee Reports

Governance Committee, Jana Tull: Jana asked the newly elected officers of the council to sign the charter. New officers are:

Chairperson – Christine Haber;
Vice Chairperson – Patricia Huber
Secretary – Carol Decker
Treasurer – Linda Owen

Awards Committee, Gerald Furey: **Congratulations, Jana Tull!**

The second annual MARC Individual Award was presented to Jana Tull. Jana has long been active in the MARC, and currently serves the council in several roles including, chairing the Governance Committee, serving on the Protocol Committee, and serving as the Virginia State Representative. In presenting the plaque, Jerry said that Jana was nominated for “her work behind the scenes, for being the first one to step up and take on whatever needs to be done, and for volunteering to assist with council projects.”

The council is currently accepting nominations for its second annual team award. Instead of specific criteria, selection is based on participation with the council, contributions to the program, and overall Small Business support. Nominations should be sent to Gerald.Furey@navy.mil.

Vice Chairperson, Patricia Huber: Pat invited attendees who are federal employees to consider becoming state representatives. State representatives help to plan meetings when they are held in their states. In addition, she invited all MARC members, whether full or associate, to consider joining a committee. Some of the standing committees that could use additional members are planning, education, protocol, governance and membership. Anyone interested should contact Pat at Patricia.Huber@us.army.mil.

Secretary’s Report, Carol Decker: Carol reported that more than 30 letters of MARC support to heads of activities and industry leaders were requested and mailed by mid-December. Those requestors who asked to be notified when letters were mailed were sent an email.

Treasurer’s Report, Carol Decker: Carol will be turning over the treasurer duties to Linda Owen, newly elected Treasurer, following the close-out of this meeting. She

reported that there is a current balance of \$2,749.27, of which \$2,500 is our meeting cost reserve. There is \$249.27 available for council expenses such as meeting materials.

Legislative Committee, Linda Owen: Linda announced that she has a few copies of the current Legislative Highlights with her for anyone who wishes to review it. In addition, the full highlights will be distributed to the membership with the meeting minutes.

Planning Committee, Helen Katz: Helen thanked Sherry Rose for an excellent job in planning the meeting. She also provided information on the next council meeting in April.

- Spring meeting – April 18 and 19, Valley Forge, PA, at the Valley Forge Hilton; executive board meeting to be held on April 17. The hotel rate will be \$106 per night plus tax, reservations should be in the name of Mid Atlantic Regional Council, and the phone number is 800-879-8372.
- Fall 2006 meeting – various sites are being considered, including locations in Virginia, Maryland, and Delaware.

Education Committee, Christine Haber: Please send Christine your recommendations for speakers and ideas for topics. Those attending should indicate any suggestions on the meeting feedback forms. Others can contact Christine at: Christine.Haber@us.army.mil.

Protocol and Membership Committees, Sherry Rose: Sherry welcomed new members and provided details for the Veteran's Conference, to be held the day after the council meeting. Approximately 130 veteran-owned small business representatives are expected to attend.

Presentations and Speakers:

Glenn Delgado, Assistant Director, Small and Disadvantaged Business Utilization, Office of the Secretary of the Navy.

“Every agency has a strategic plan” for implementing the Veteran's Program, said Glenn Delgado, introducing the Department of Defense (DOD) six objectives.

First, DOD will increase the number of Service Disabled Veteran Owned Small Businesses (SDVOSB) registered in the Central Contractor Registration database (CCR). He noted that the primary impediment to achieving this objective is the apparent lack of widespread knowledge and understanding of the requirement to have such a registration in order to do business with the federal government.

Second, DOD will use training and outreach to increase the use of the Veteran's Program sole source and restricted competition components. “There's a good course on Veteran's training available on Defense Acquisition University,” said Delgado. He said that Frank Ramos, OSD Small Business Programs Office Director, is going to the prime contractors “to encourage large prime contractors to subcontract with SDVOSBs,” and recognized that while “we won't get to the 3% goal overnight. The key is that we are trying to get there and to make steady growth.”

The third objective is to increase SDVOSB participation in the Mentor-Protégé Program, an objective to which he sees no impediment.

Fourth, DOD wants to increase large prime subcontracting with SDVOSBs. The impediment to this is that there is a limited availability of qualified SDVOSBs to meet the needs of the primes.

The fifth objective is to increase surety bonding capacity for SDVOSBs in the areas of construction and environmental. The impediment to this is that market forces have reduced the amount of bond capacity.

The sixth objective is to use teaming and joint ventures to enhance capacity and capability of SDVOSBs. The impediment to this objective is the reluctance of the acquisition community to accept this approach.

In addition to the DOD objectives, the Department of the Navy has seven objectives:

1. Identify the NAICS codes that are strong for veteran owned firms;
2. Identify the NAICS codes that are weak for veteran owned firms;
3. Generate a SECNAV letter to HCAs to support the program;
4. Train the acquisition community;
5. Use focused outreach;
6. Increase participation in DOD mentor-protégé programs;
7. Establish an award program to recognize accomplishments in the SDVOSB program.

Mr. Delgado noted that “there is a feeling in the veteran community that all of the attention is on the service disabled veterans. Veterans feel left out. Make sure that you recognize veterans as a whole. Be inclusive of all veteran owned small businesses.”

The Navy accomplished \$1.1 billion in awards to veteran owned firms in FY05, which is a 59 percent increase over the FY 04 accomplishment of \$669.1 million. In addition, actions increased 49 percent when they went from 8,356 in FY 04 to 12,485 in FY 05. The top NAICS code for veteran owned firms is engineering services, with 281 actions worth \$61.9 million.

DON Mentor-Protégé Program:

Two types of agreements are available – a credit agreement where the mentor receives credit toward subcontracting goals, and a reimbursable agreement where monetary reimbursement is made for the cost of developmental assistance incurred. He noted that mentors must be approved and that only large businesses can be mentors, with an exception in that 8(a) graduates can be mentors. Protégés can only have one mentor, but mentors can have more than one protégé.

In reviewing mentor considerations, he said, “subcontracting considerations are the key. Make sure that there is a meeting of the minds before you begin” so that small businesses’ expectations don’t exceed the mentor’s assessment of capability and readiness.

Benefits to protégés include receiving non-competitive subcontract awards under cost-type contracts, when processed in accordance with the DFARs. He noted that a lot of mentors are not aware of this.

Under the Navy program, mentor-protégé must be added as a separate line item to an existing contract, or be added as a task order on an existing IDIQ contract. The Air Force does a separate agreement. Mentor-protégé agreements do not pay for capital

equipment; the agreement will not exceed three years. In discussing a successful agreement, Mr. Delgado said, “show me that you are transferring technology and teaching them. Show me the technology that you are transferring from the mentor to the protégé.” He noted that the DFARs lists the 15 items that agreements must address.

The Navy’s point of contact for additional information is Nicole Vo at Nicole.Vo@navy.mil. For credit agreements, contact “Sunny” Thompson at Melba.Thompson@dcma.mil.

When asked why the different agencies have different programs and why interagency agreements don’t exist, Mr. Delgado explained that while 80 percent of agreements are the same across agencies, the 20 percent of differences are major differences. For example, not all are reimbursable – only DOD – other are credit only. He does not anticipate a federal-wide program.

On a final note, Mr. Delgado mentioned that as of January 6, 2006, the Defense Authorization Act changed the title of Small and Disadvantaged Utilization office to Small Business Programs Office, to better reflect the variety of programs supported.

Thomas E. Watkins, Chief of Small Business Operations East Division, Defense Contract Management Agency (DCMA); and **Romy Allas**, DCMA Small Business Operation Center.

Mr. Watkins discussed why DCMA was realigned and presented an overview of the new small business operations center. He said that DCMA will be migrating people over time into four centers so that their subject matter experts are at a single location. He said that DCMA will be focusing on “what we can do as DCMA to get a qualified product to the field in a timely manner. Even our headquarters is being relocated from Springfield to Fort Lee. We’re increasing our teaming and communication efforts with our customers.”

The reason for the change is to achieve more efficiency and effectiveness. He said that while DCMA in the past was centered on geographic locations, now it will not. The previous alignment diffused corporate knowledge, provided little focus on commodity-specific skill development, and established no single focal point for major programs or customers.

The new alignment will feature four product divisions: aeronautical systems, naval sea systems, space and missile systems, and ground systems & munitions. Assignments within the Small Business Operations Center will be based on buying command versus geographic location of the contractor. Contractors will be assigned based on which buying command awards them the preponderance of work. Subcontract reviews will be done on a risk-based approach, wherein more emphasis will be placed on those contractors not meeting their goals while those exceeding their goals may never undergo a DCMA review. PTAC reviews will be completed based on geographic location.

The Small Business Operations Center will be divided into the Comprehensive Division, East & West Divisions, and Mentor-Protégé Division. The sites covered by the divisions will often not correspond to the physical location of the buying activity or the contractors covered. In all divisions, there is intent to work with the customers to

develop metrics for success. *(Note: Specific assignments are listed in the DCMA PowerPoint presentation posted on the MARC website, under January meeting.)*

Mr. Watkins concluded by noting that he does not anticipate eSRS (the Electronic Subcontract Reporting System) to be expanded to include DOD in April 2006. One of the main deterrents being the need to put all past contracts in the system. Ms. Allas continued with the presentation.

Margarette Trimble-Williams is the division chief of DCMA's Comprehensive Subcontracting Program Division. Previously it had been announced that Barbara (Little) English would be in that job. Within the Comprehensive Division, each program manager has three to four contractors that they are responsible for, and all can be located anywhere around the country.

A *Center for Naval Analysis* study concluded that comprehensive subcontracting plan holders were not doing their best, but could do a better job of implementing their plans. Future comprehensive plans will be reviewed and negotiated in IPT (integrated product team) fashion to improve the process and the outcome. She said that the division chiefs will have warrants so that they can sign or modify the contracts and incorporate the new plans.

In the area of subcontracting Targeted Industry Categories (TICs), DCMA is looking at new initiatives. In the past, there were many responsibilities making it hard for their personnel to focus on any one area. Their intent is to ensure that contractors are doing what they promised to do.

Their motto is: Continuous Improvement.

Their email address is: smallbusinesscenter@dcma.mil.

Gail Wegner, Deputy Director for Veterans Enterprise, Center for Veterans Enterprise.

Ms. Wegner noted that she wanted to focus on what's new in the Veteran's Enterprise Program.

The Veteran's program has some perceived impediments present. Among them are a feeling among Service Disabled Veteran Owned Small Businesses (SDVOSB) that they have a second class status compared to other small business program participants; a general lack of support for all small business programs by federal buyers and program managers; and little attention paid by prime contractors to making a "good faith effort" to subcontract to Veteran Owned Small Businesses (VOSB). She noted that there is a need for improvement in the area of bonding for SDVOSB, VOSB and Women Owned Small Businesses.

A continuing problem has been clarifying the certification issues. She said, "to participate in HUBZone, a firm must be officially certified. SDVOSB is a self-certification program. Some owners mistakenly believe that they need to obtain certification and some contracting officers want a copy of the service records for the contract files. They do not need this and should not be asking for it."

Another problem was referred to as "rent a Vet", where the contracting officer is afraid that they are going to get a SDVOSB responding to their requirement, but another company will actually do the work. Ms. Wegner clarified that the Limitations on

Subcontracting clause in the Federal Acquisition Regulations permits the prime contractor to partner with other SDVOSBs to perform the direct labor.

Veteran Entrepreneurship Agency Report Cards – are they beneficial or detrimental? According to Ms. Wegner, she believes that agencies want help identifying firms and implementing the program; they don't want criticism about what they are not doing – they want recognition for what they are doing. Instead, she'd rather change the contracting officer mindset from exclusion to inclusion.

Her goal is to find every veteran in America and offer help every year. On the topic of defining the program's success she said, "there's only one agency who's made the three percent goal. Is that the real indicator of program success? In my opinion, if I can work with a business and move them from one employee to more and move his revenue forward, that's the real measure of success."

She also finds that there is still reluctance on the part of some veterans to establish their service-related disability status. And, she is concerned about the aging population. The National Service Eligibility proposal would address this issue. As the aging population moves out of their active business ownership role, a spouse or heir can use successor ownership to continue operations and retain the veteran status. Other proposals are for a Universal Veteran's Program, merging VOSB and SDVOSB programs, and for a formal certification program.

Their website is www.vetbiz.gov for additional information.

James O'Sullivan, Contracting Officer, FISC Norfolk Detachment Philadelphia.

Stating, "I think that effective Market Research is the antidote to the poison pill of the use of past performance" in evaluating contractors, Mr. O'Sullivan discussed his new approach to utilizing market research in government contracting.

Providing terms and definitions, he defined market research as the process of collecting and analyzing information or data on product characteristics, suppliers' capabilities and the business practices that surround them plus the analysis of that data to make acquisition decisions. Market research is needed in order to determine the suitability of the marketplace to satisfying a need or requirement, with the ultimate goal being to help the acquisition team become informed consumers. Information derived from market research helps the acquisition team to develop the optimum strategy that best meets the requirement.

According to Mr. O'Sullivan, "when we use past performance it often hurts small businesses because they usually don't have as much experience." This prompted him to adopt a new approach to obtaining competition in his activity's requirement to distribute movies within the Navy. He said, "it's added a vibrancy to what's available to the sailor" and noted that their utilization of small businesses has improved.

The FISC stopped issuing licensing agreements to big Hollywood film distributors and instead expanded to include more firms. Recently, three small businesses approached them with a new product – encrypted DVD systems that can play but be encrypted to prevent piracy and ensure privacy.

Mr. O'Sullivan said, "market research is more valuable than any assistance that you can give [small businesses] or any set-aside that you can impose". Keeping accurate

documentation of the market research is also essential to understanding what is being bought and what alternatives are out there.

Breaking the subject into two parts, he said that Market Investigation is a comprehensive survey of the marketplace to gather information in response to a specific contract requirement, while Market Surveillance/Intelligence is an ongoing process and includes all the activities that acquisition personnel perform continuously to keep themselves abreast of technology improvements, product developments, and commercial business practices relative to their areas of expertise.

In the pre-award stage, before developing the statement of work and other paper work, market research should be conducted to obtain information about alternatives available from the marketplace.

After award, market research is useful to ensure that the current acquisition strategy or business arrangement remains effective based in terms of price, schedule, and technical excellence.

How do they do it? Mr. O'Sullivan presented various techniques used to obtain market research: review similar market research reports and files; issue surveys and questionnaires (sources sought & RFI); conduct site visits; perform Internet searches; host industry days; contact small business/source development offices; review trade journals; contact professionals; attend trade shows, and make "cold calls" using the Yellow Pages.

His "keys to success" include, starting early, involving the customer, and communicating throughout the process. Also, do the research and be thorough; determine what information is necessary to make a decision; locate informational sources; define a narrowed-down list of sources that can provide specific information relevant to satisfying the requirement; and develop survey questions to capture all items requiring investigation.

Concluding, Mr. O'Sullivan said, "FAR Part 10 is difficult to read, but if you capture the intent of it and know what steps you need to take, the fruits of market research are abundant."

Carol S. Decker, Procurement Center Representative, U.S. Small Business Administration.

The SBA presented various updates to procurement issues impacting small business programs.

Federal Register proposed changes: Micro-purchase threshold will increase from \$2500 to \$3000; FPDS reporting threshold from \$2500 to \$3000; Prime Contractor Subcontracting Plan threshold from \$500,000 to \$550,000 (construction – no change); Bundling justifications (FAR 7.107(b)) from \$75 million to \$85 million & \$7.5 million to \$8.5 million; Coordinating Acquisition Strategies with SBA - \$7.0 million to \$7.5 million; Evaluating SDB participation in unrestricted acquisitions - \$500,000 to \$550,000; and Cost & Pricing data threshold - \$550,000 to \$600,000. *Federal Register*, December 12, 2005, Vol 70, No. 237. This proposed change is in accordance with PL

108-375, which requires adjustment every five years of certain acquisition-related thresholds.

Gulf Coast Initiative: www.sba.gov/gulf/gulfstates_bmm.html

This is SBA's initiative to assist small businesses whose primary customer base has been greatly decreased, displaced or in some cases eliminated by the affects of Hurricane Katrina. Includes CCR registration and opportunities matching. Contracting activities and prime contractors are asked to make an effort to include small businesses from Gulf Coast states when adding sources for an effort.

Recent DFARS Changes include, HBCU/MI guidance being relocated from 226.70 to 226.3; Base Realignment & Closure subpart at 226.72 was deleted; and the procedure at 226.103 to obtain incentive payments for contractors under 52.226-7001, Utilization of Indian Organizations & Indian-Owned Economic Enterprises was deleted. That guidance was moved to PGI 226.103 at www.acq.osd.mil/dpap/dars/pgi.

Cascading Set-asides: The Defense Bill, as of January 3, included restrictions on Cascading Set-asides. Before using that approach, the contracting officer must have performed and documented adequate Market Research; the Market Research must be inconclusive and documented by contracting officer as to why. Goal: Don't use cascade in place of making a set-aside decision.

Changes to FAR 19.1005 – Small Business Competitiveness Demonstration Program: Landscaping and Pest Control Services was added to the designated industry groups (DIGs). Acquisitions outside the reserve for emerging small businesses will not be set-aside for small businesses, unless agency determines it to be necessary to meet goals. As a reminder, all Designated Industry Group acquisitions must continue to be considered for 8(a) reservation, HUBZone program, and Service Disabled Veteran Owned Small Business program.

Size Standards Update: *Federal Register* Dec 6, 2005, Vol 70, No. 233, Interim Final Rule – Effective. The recent update impacted dollar-based standards only, and applies to acquisitions issued on or after January 5, 2006, except 8(a). Will apply to 8(a) offers sent to SBA on or after Jan 5. The update is expected to restore SB status to firms losing status due to inflation. Estimated that 11,600 newly designated SBs will result. The new standards have been posted at www.sba.gov/size.

Electronic Subcontracting Reporting System: The eSRS Web Based Training Classes were slated to be continued as the demand warrants. For further information, contact Pam Fenderson at SBA. Email Pamela.Fenderson@sba.gov for additional information or to sign-up to participate. Registration is required, to ensure sufficient lines will be available. An open discussion on the participants' experiences with eSRS followed. Comments were compiled to be forwarded to the eSRS program manager.

Respectfully submitted,
Carol S. Decker, MARC Secretary